

**THE JOANNA FOUNDATION
CHARLESTON, SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Joanna Foundation
Charleston, South Carolina

We have audited the accompanying financial statements of The Joanna Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Joanna Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



June 27, 2020
Charleston, South Carolina

**THE JOANNA FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 234,601	\$ 299,571
Prepaid assets	2,704	3,396
Investments, at fair market value	4,275,344	3,582,435
Total Current Assets	4,512,649	3,885,402
Total Assets	\$ 4,512,649	\$ 3,885,402
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accrued payroll and taxes	\$ -	\$ 1,505
Total Current Liabilities	-	1,505
<u>Net Assets</u>		
Without donor restrictions	4,512,649	3,883,897
Total Net Assets	4,512,649	3,883,897
Total Liabilities and Net Assets	\$ 4,512,649	\$ 3,885,402

See accompanying notes to the financial statements

**THE JOANNA FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<u>Revenues</u>		
Investment return	\$ 864,835	\$ (375,037)
Investment fees	(31,347)	(32,776)
Total Net Revenues	833,488	(407,813)
<u>Expenses</u>		
Program Services:		
Program grants	128,875	182,995
Management and General:		
Payroll taxes and foreign income taxes	3,642	5,030
Legal and professional	7,700	7,700
Salaries	46,590	45,291
Federal excise taxes	2,710	3,110
Office and miscellaneous	4,883	4,095
Memberships	-	610
Meetings	6,607	4,155
Insurance	1,155	1,135
Travel	2,574	1,379
Total Expenses	204,736	255,500
Increase (decrease) in Net Assets Without Donor Restrictions	628,752	(663,313)
Net Assets Without Donor Restrictions, Beginning of the Year	3,883,897	4,547,210
Net Assets Without Donor Restrictions, End of the Year	\$ 4,512,649	\$ 3,883,897

See accompanying notes to the financial statements

**THE JOANNA FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities:</u>		
Increase (decrease) in unrestricted net assets	\$ 628,752	\$ (663,313)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash used for operating activities:		
Net realized and unrealized (gains) losses on investments	(764,169)	490,125
Increase in operating assets:		
Prepaid assets	692	(2,501)
Increase (decrease) in operating liabilities:		
Accrued federal excise tax	-	(5,013)
Accrued payroll and taxes	(1,505)	1,505
	<u>(136,230)</u>	<u>(179,197)</u>
Net Cash Used for Operating Activities	<u>(136,230)</u>	<u>(179,197)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of investments	(2,525,415)	(2,483,926)
Proceeds from disposition of investments	2,596,675	2,834,290
	<u>71,260</u>	<u>350,364</u>
Net Cash Provided by Investing Activities	<u>71,260</u>	<u>350,364</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(64,970)	171,167
Cash and Cash Equivalent Balances, Beginning of Year	<u>299,571</u>	<u>128,404</u>
Cash and Cash Equivalent Balances, End of Year	<u>\$ 234,601</u>	<u>\$ 299,571</u>
<u>Supplemental Disclosures</u>		
Cash paid for Federal excise taxes	<u>\$ 2,000</u>	<u>\$ 10,608</u>

See accompanying notes to the financial statements

**THE JOANNA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ACTIVITIES

Nature of Activities

The Joanna Foundation (the “Foundation”) is a private tax-exempt not-for-profit foundation organized in 1945 for charitable, scientific, religious, educational and/or other eleemosynary purposes. Its program consists of donations to other not-for-profit organizations.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958 section 205, *Not for Profit Entities, Financial Statement Presentation*. Under ASC 958 section 205, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions. There are no restrictions on net assets as of December 31, 2019 and 2018.

Contributions

The Foundation has adopted the provisions of ASC 958 section 605, *Not for Profit Entities, Revenue Recognition*. In accordance with ASC 958 section 605, contributions received are recorded as without or with donor-imposed restricted support depending on the existence and/or nature of any donor or time restrictions. Under ASC 958 section 605, certain contributions are required to be reported as net assets with donor-imposed restriction and are then reclassified to net assets without donor-imposed restrictions upon expiration of donor restrictions. There are no restricted contributions for the years ended December 31, 2019 and 2018.

Investments

The Foundation follows ASC 958 section 320, *Not for Profit Entities, Investments – Debt and Equity Securities*. Under ASC 958 section 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the Statements of Activities.

Cash and Cash Equivalents

For purpose of the statements of cash flows, “cash and cash equivalents” include cash on hand, amounts on deposit with financial institutions and other investments with original maturities of three months or less.

Income Taxes

The Foundation was organized as a not-for-profit organization and has received a determination letter from the Internal Revenue Service stating that it is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation is subject to an excise tax as described in Note 2.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

The Foundation recognizes dividend and interest income from various investments in equity securities as earned.

THE JOANNA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF ACTIVITIES - CONTINUED

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services and have been summarized on a function basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Foundation has no fundraising expenses.

2. EXCISE TAXES AND MINIMUM DISTRIBUTIONS

In accordance with the applicable provisions of the Tax Reform Act of 1969 (the "Act"), the Foundation is subject to federal excise taxes of 2% (or 1% if certain requirements are met) on the net investment income, including realized gains, as defined in the Act. Federal excise taxes were \$2,710 and \$3,110 for the years ended December 31, 2019 and 2018, respectively.

In addition, the Act requires that certain minimum distributions be made in accordance with a specified formula. The Foundation had distributed a cumulative \$519 and \$11,420 over the required minimum distribution as of December 31, 2019 and 2018, respectively.

3. INVESTMENTS

Fair values and cumulative unrealized appreciation at December 31, are summarized as follows:

	2019		
	Cost	Fair Market Value	Net Unrealized Appreciation
Common stocks	\$ 1,770,317	\$ 2,433,780	\$ 663,463
Mutual funds	1,187,898	1,547,929	360,031
Bonds	287,072	293,635	6,563
	<u>\$ 3,245,287</u>	<u>\$ 4,275,344</u>	<u>\$ 1,030,057</u>
	2018		
	Cost	Fair Market Value	Net Unrealized Apprec. (Deprec)
Common stocks	\$ 1,587,396	\$ 1,842,589	\$ 255,193
Mutual funds	1,421,551	1,512,016	90,465
Bonds	236,334	227,830	(8,504)
	<u>\$ 3,245,281</u>	<u>\$ 3,582,435</u>	<u>\$ 337,154</u>

THE JOANNA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

3. INVESTMENTS - CONTINUED

The following schedule summarizes the investment return and its classification in the statements of activities:

	Years ended December 31,	
	2019	2018
Interest and dividends	\$ 81,903	\$ 85,694
Capital gain distributions	18,763	29,394
Net unrealized (losses) gains	692,903	(722,879)
Net realized gains	71,266	232,754
 Total investment return	 \$ 864,835	 \$ (375,037)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS AND ASSETS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.

- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2019 and 2018, respectively, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3) at December 31:

	2019		
	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Other Unobservable Inputs
Common stocks	\$ 2,433,780	\$ -	\$ -
Mutual funds	1,547,929	-	-
Bonds	293,635	-	-
	\$ 4,275,344	\$ -	\$ -

THE JOANNA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

4. FAIR VALUE OF FINANCIAL INSTRUMENTS AND ASSETS - CONTINUED

	2018		
	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Other Unobservable Inputs
Common stocks	\$ 1,842,589	\$ -	\$ -
Mutual funds	1,512,016	-	-
Bonds	227,830	-	-
	<u>\$ 3,582,435</u>	<u>\$ -</u>	<u>\$ -</u>

5. CONCENTRATION

The Foundation invests in various investment securities, which is the main source of its income. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities it is at least reasonably possible that changes in values of the investment securities will occur in the near term and that such changes could materially affect the amounts recorded in the statement of financial position.

The Foundation is insured by the Securities Investor Protection Corporation (SIPC) for its investments in securities and cash up to \$500,000 (\$250,000 limit for cash only). SIPC coverage is limited and does not protect the Foundation from declines in security value.

6. DISCLOSURE OF LIQUIDITY INFORMATION

The following reflects the Foundation's financial assets as of December 31 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date.

	2019	2018
Financial assets, at end of year	\$ 4,509,945	\$ 3,882,006
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions	-	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,509,945</u>	<u>\$ 3,882,006</u>

THE JOANNA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

7. SUBSEQUENT EVENTS

Management has evaluated the impact of events and transactions occurring subsequent to December 31, 2019 through June 27, 2020, the date these financial statements were available to be issued. Based upon that evaluation, there were no material subsequent events that required recognition or additional disclosure in these financial statements, beyond those described below:

At the time of issuance of these financial statements, the global, national and local impact of the health risks of the coronavirus disease 2019 (COVID-19) is continuing to evolve. The Center for Disease Control and Prevention continues to work with the broad scientific community to develop a vaccine. As global efforts currently focus on containing COVID-19, the impacts on United States citizens and businesses are intensifying. Equity markets have been very volatile since the outbreak, suggesting such volatility may continue in the future, impacting the Foundation's short-term investment performance. Further, with a potential long-term horizon for containment and creation of a vaccine, it is reasonably likely that COVID-19 may cause the Foundation to experience delays in delivery of supplies and services, and other interruptions.